

Message Text

SECRET

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ACTION SS-25

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R 110927Z MAY 75

FM AMEMBASSY JIDDA

TO SECSTATE WASHDC 1176

INFO AMEMBASSY ABU DHABI

AMEMBASSY ALGIERS

AMEMBASSY CARACAS

AMCONSUL DHAHRAN

AMEMBASSY KUWAIT

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY TEHRAN

S E C R E T JIDDA 3304

EXDIS

E.O.: 11652: GDS

TAGS: ENRG, SA, US

SUBJ: YAMANI ON OIL PRICES

REF : A. JIDDA 3303; B. JIDDA 7178 (DEC 7, 1974)

1. AHMED ZAKI YAMANI, MINISTER OF PETROLEUM TOLD ME YESTERDAY (MAY 9) THAT IF THERE WERE SOME PROGRESS ON THE PRODUCER-CONSUMER CONFERENCE, HE HOPED TO BE ABLE TO LIMIT PRICE INCREASES TO "SOMETHING REASONABLE" (REF A). I SAID "SOMETHING REASONABLE" WOULD MEAN NO INCREASE AT ALL AND ASKED WHAT HAD HAPPENED TO HIS PROPOSAL TO FREEZE PRICES THROUGH 1976 (REF B) AND THEN HAVE PARTIAL INDEXATION FOR THE NEXT TWY0 YEARS, BRINGING PRICES IN CONSTANT 1974 DOLLARS DOWN TO AROUND \$7.00/BARREL.

2. YAMDNI SAID THE PROPOSAL WAS DEAD.HE HAD RAISED THE PRICE FREEZE (REF B) WITH ME; AND THE PRICE FREEZE COMBINED WITH A SUBSEQUENT TWO-YEAR PARTIAL INDEXATION WITH UNDER SECRETARY ROBINSON ON FEBRUARY 15. THERE HAD SECRET

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BEEN NO ENCOURAGING U.S. RESPONSE. IN FACT, HE HAD ONLY

HEARD USG OFFICIALS SPEAKING OF THE IMMINENT COLLAPSE OF OPEC AND OIL PRICES: "IT ISN'T A QUESTION OF WHETHER PRICES ARE GOING TO BREAK, IT'S WHEN." EVEN AS RECENTLY AS LAST MONTH, HE SAID, JUST BEFORE THE PARIS PREPARATORY MEETING FOR THE CONSUMER-PRODUCER CONFERENCE, ASSISTANT SECRETARY ENDERS HAD SAID PUBLICLY THT THE U.S. GOAL WAS TO "BREAK OPEC."

3. YAMANI SAID THE U.S. HAD NOT BEEN INTERESTED IN HIS PORPOSALS OR HIS IDEAS; WE HAD GIVEN SAUDI ARABIA NO SUPPORT ON OIL PRICES IN TEHRAN OR ANY OTHER OPEC CAPITAL. THE BEST WE COULD NOW HOPE FROM SAUDI ARABIA, HE SAID, WOULD BE SAUDI EFFORTS TO KEEP PRICES FROM RISING TO OFF-SET THE FULL EFFECT OF INFLATION-"AND EVEN THAT WILL BE HARD FOR US POLITICALLY."
AKINS

SECRET

NNN

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